

South East ERDF Competitiveness Programme Monitoring Committee

Changes in Economic Conditions

September 2009

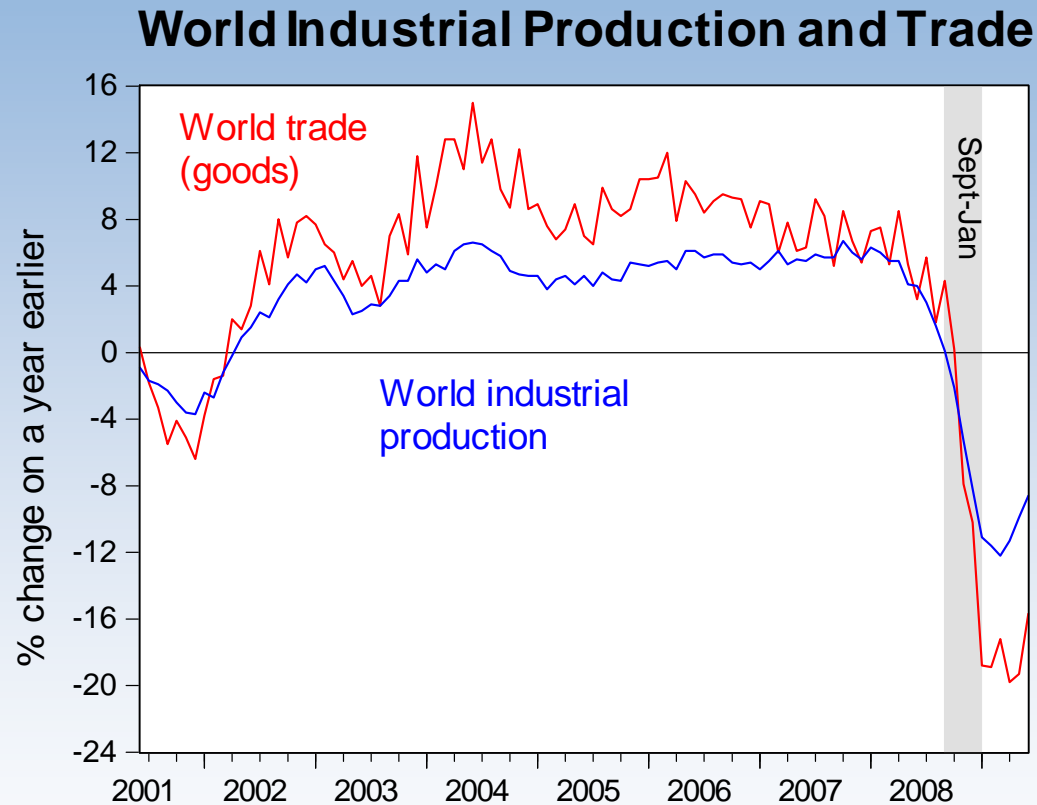
Ivan Perkovic
Head of Economic Research

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Outline

- First Global Recession since WWII
- Impact of the downturn on
 - Output
 - Businesses
 - Labour Market
 - Business investment
- Outlook for 2009 and beyond
- NINJ sectors in the South East
- Policy implications and where next?

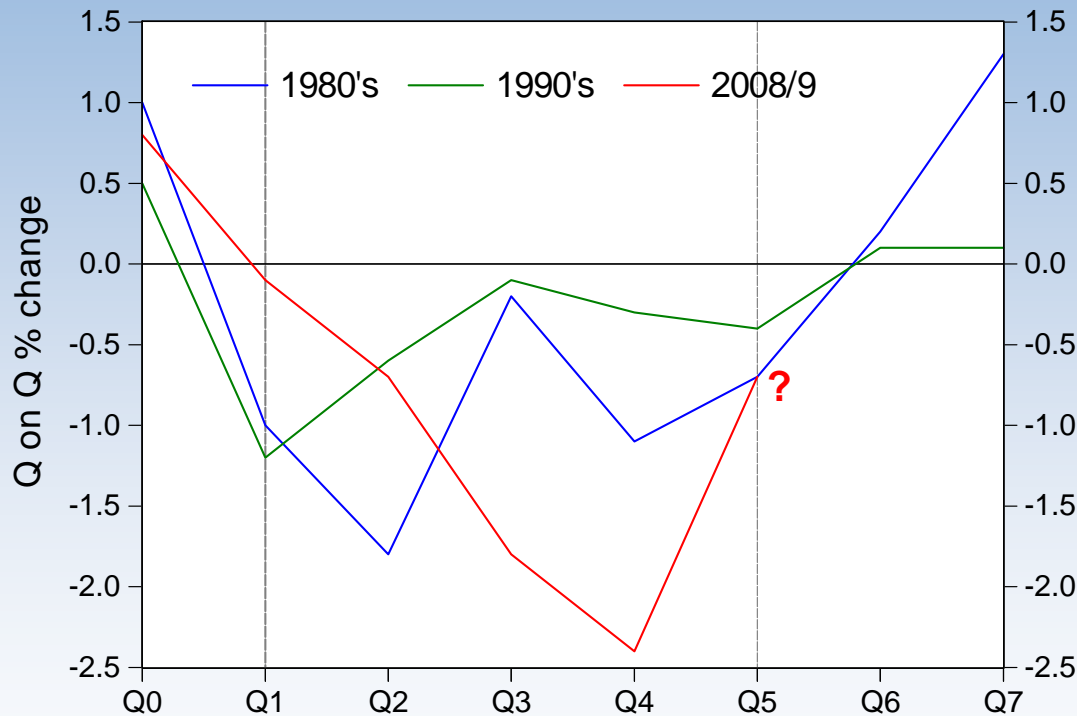
The first global recession since WWII



Source: CPB Netherlands Bureau for Economic Policy Analysis

A Sharp Contraction in GDP Growth in UK and elsewhere

UK Recessions

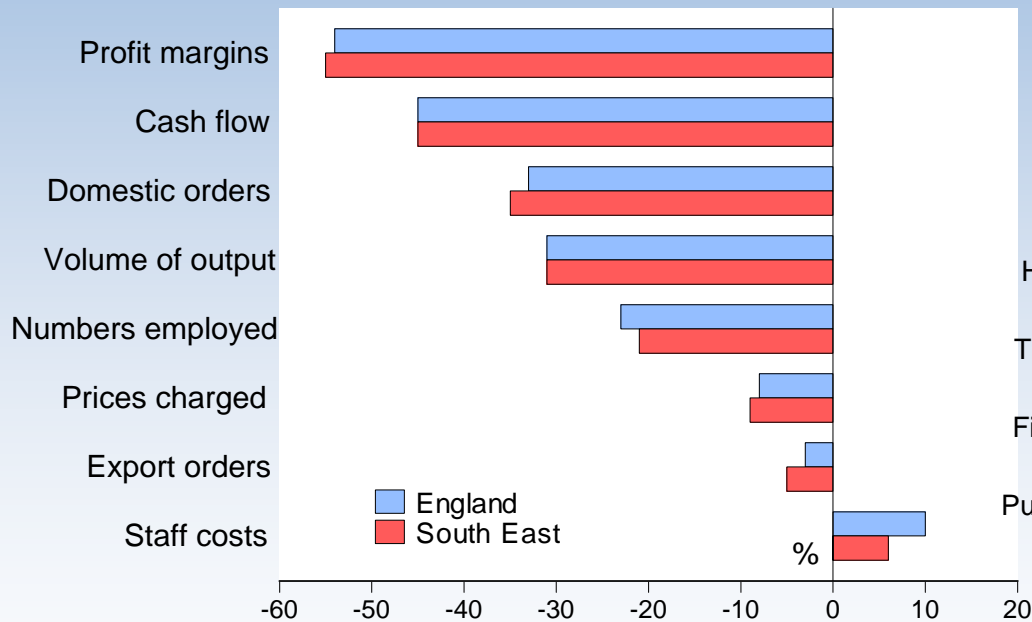


Source: ONS 2009

quarterly	Q2 2009	annual
0.3	Germany	-5.9
-1.1	Spain	-4.2
0.3	France	-2.6
-0.5	Italy	-6
-0.7	UK	-5.5
-0.3	USA	-3.9
0.9	Japan	-6.5

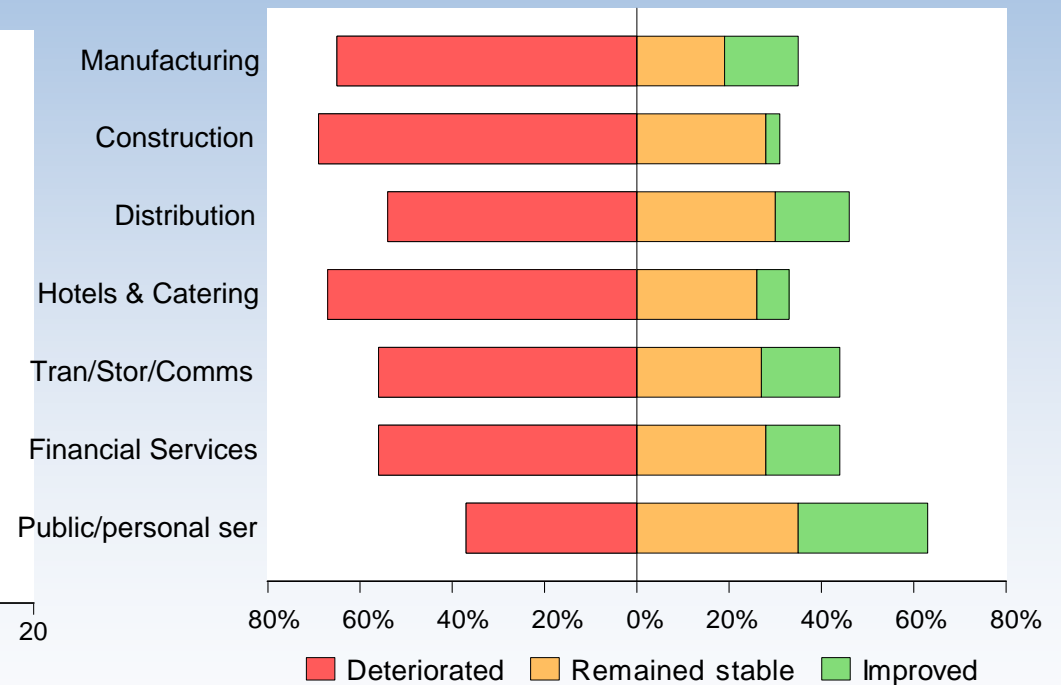
A significant impact on businesses in the South East

Trend during the past 12 months



Source: SEEDA 2009

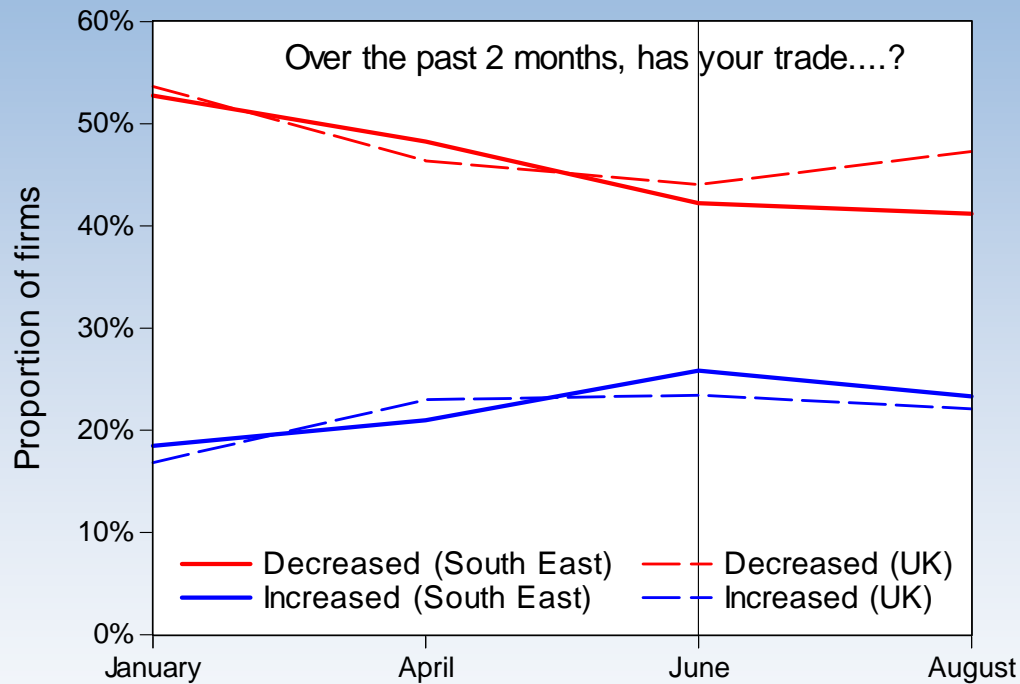
Business performance (past 12 months)



Source: SEEDA 2009

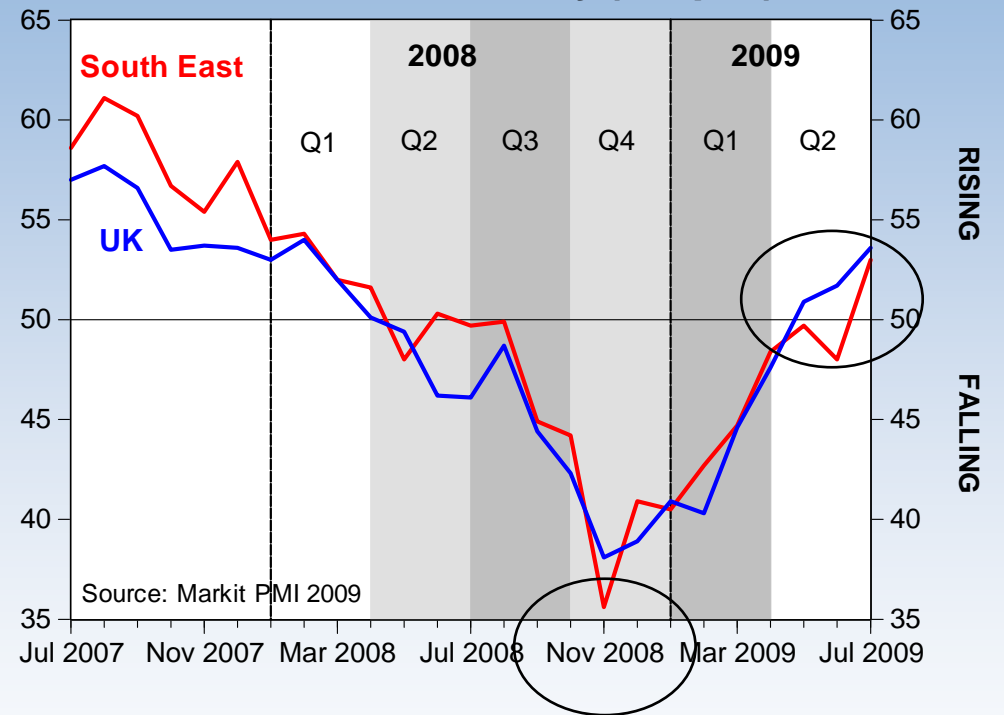
Trade and Activity Stabilising?

Trade (South East and UK)



Source: FSB 2009

Business activity (output)

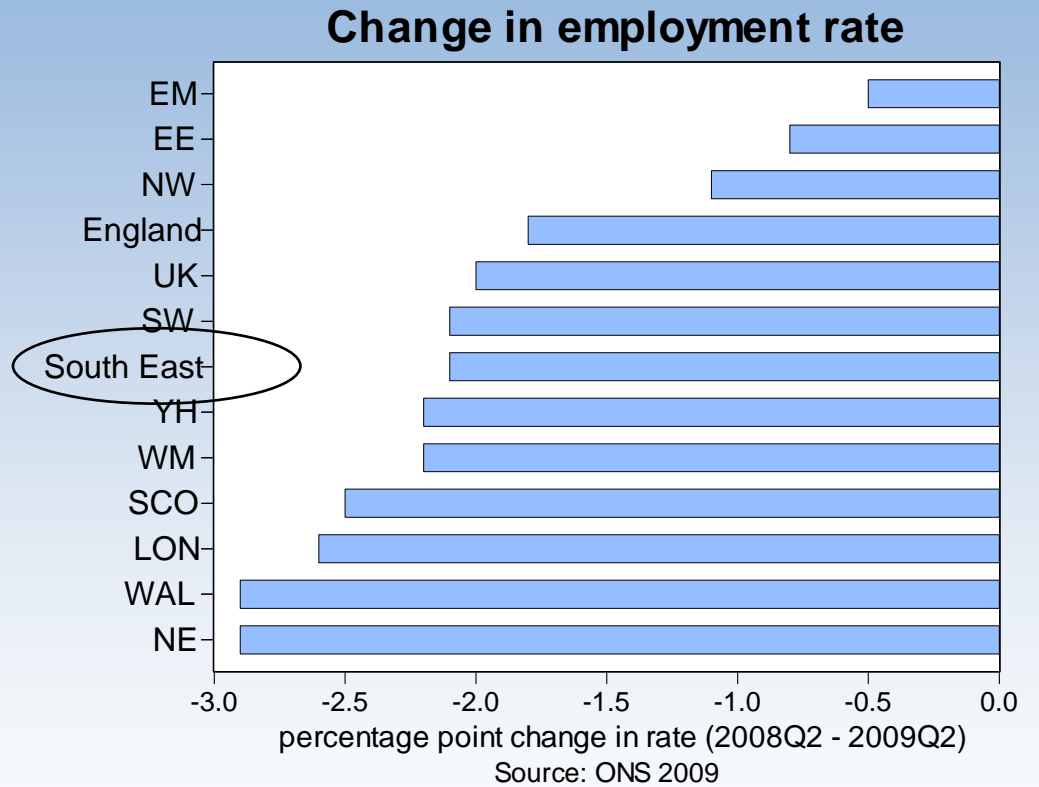
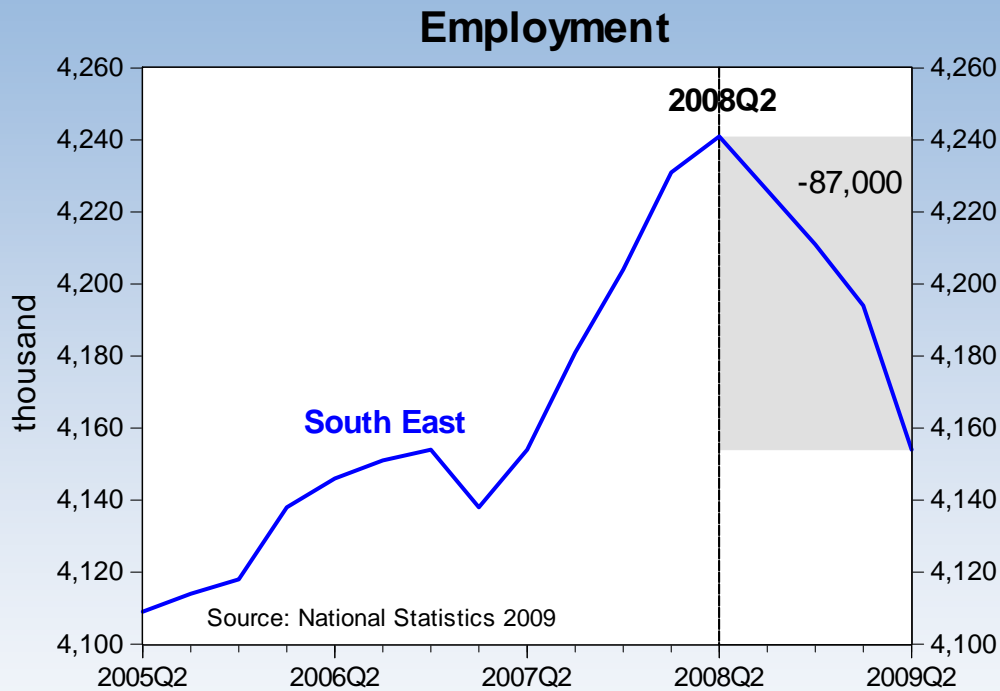


Source: Markit PMI 2009

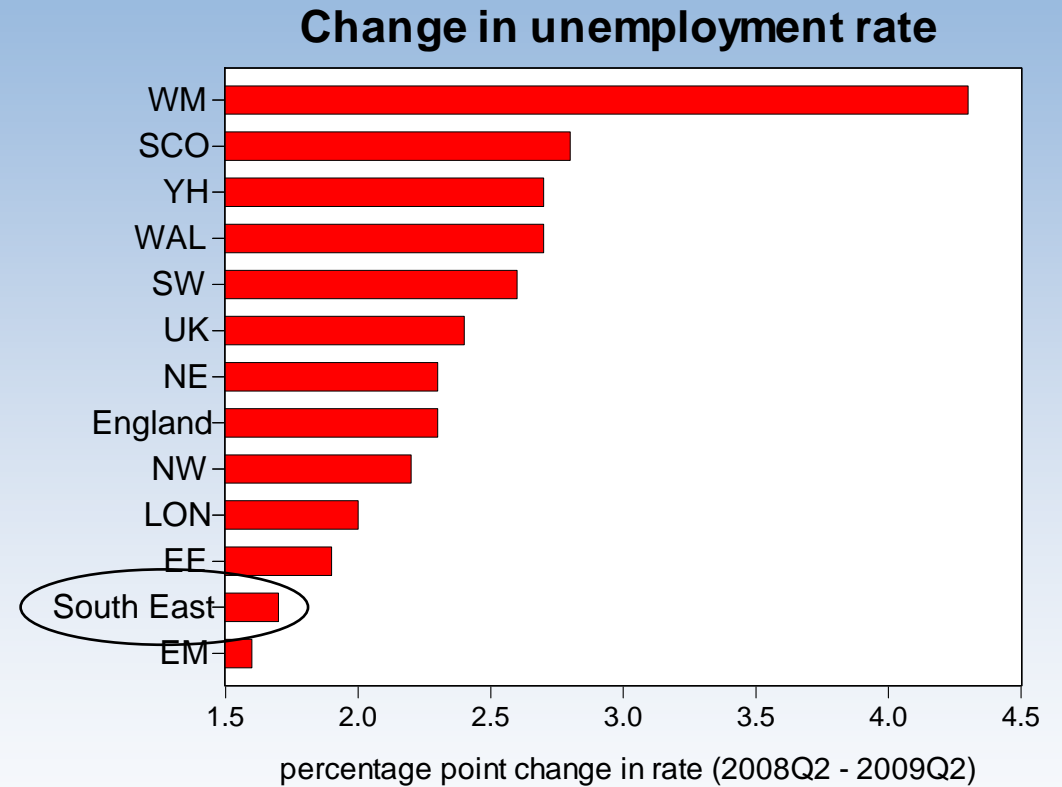
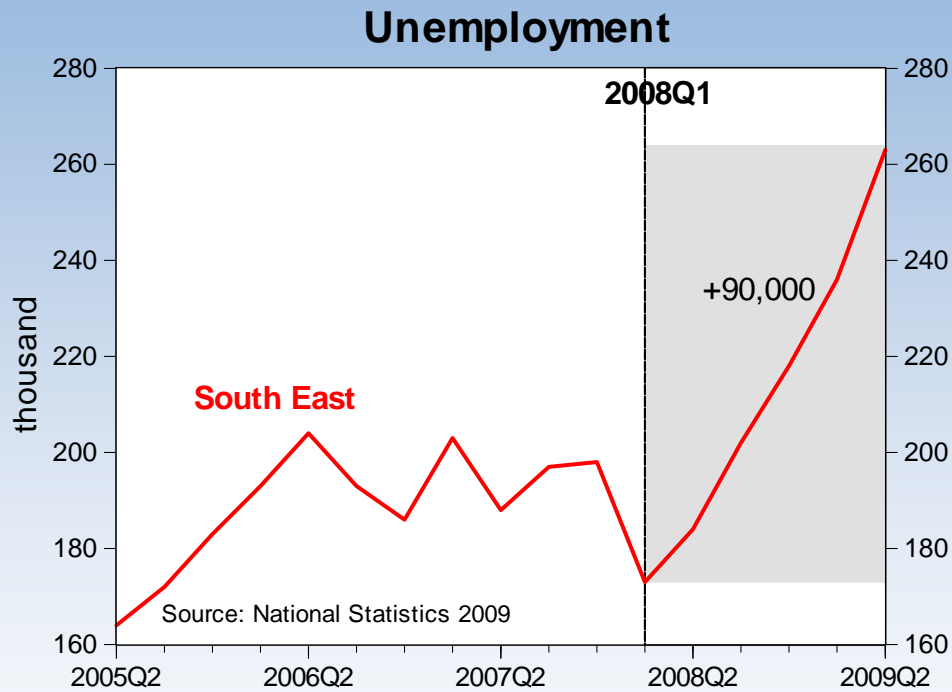
Labour market

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Employment



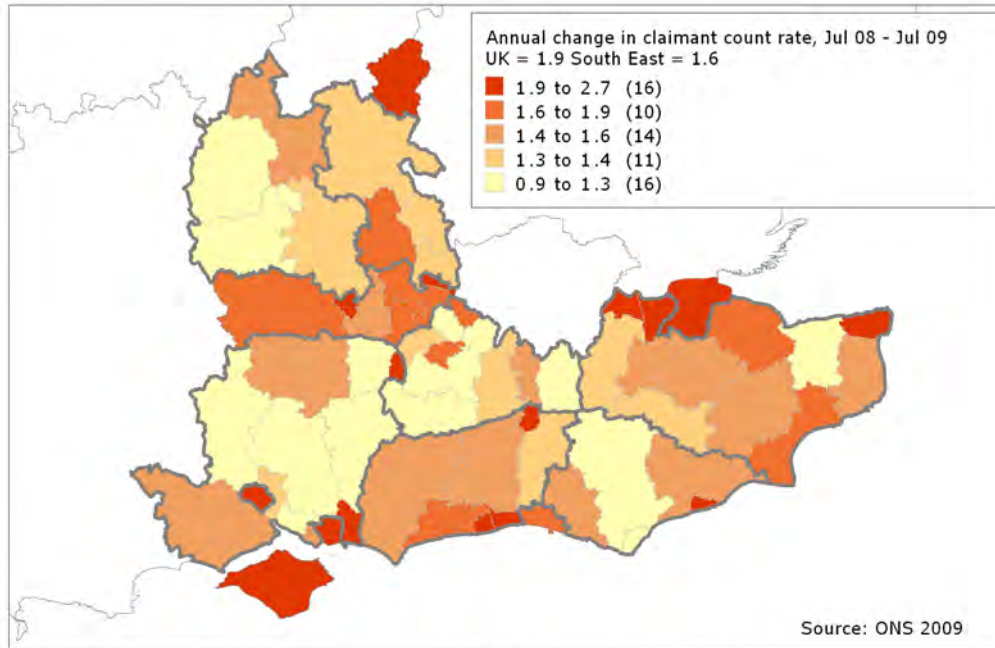
Unemployment (LFS)



Source: ONS 2009

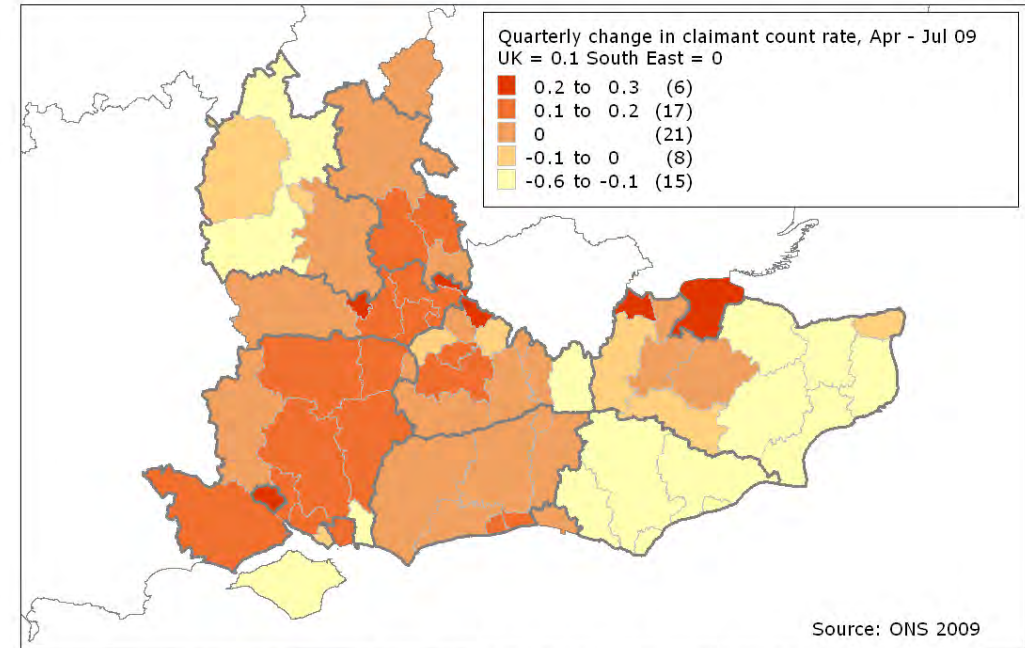
Unemployment across South East

Annual change in unemployment rate
July08-July09



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Quarterly change in unemployment rate
Apr09-July09



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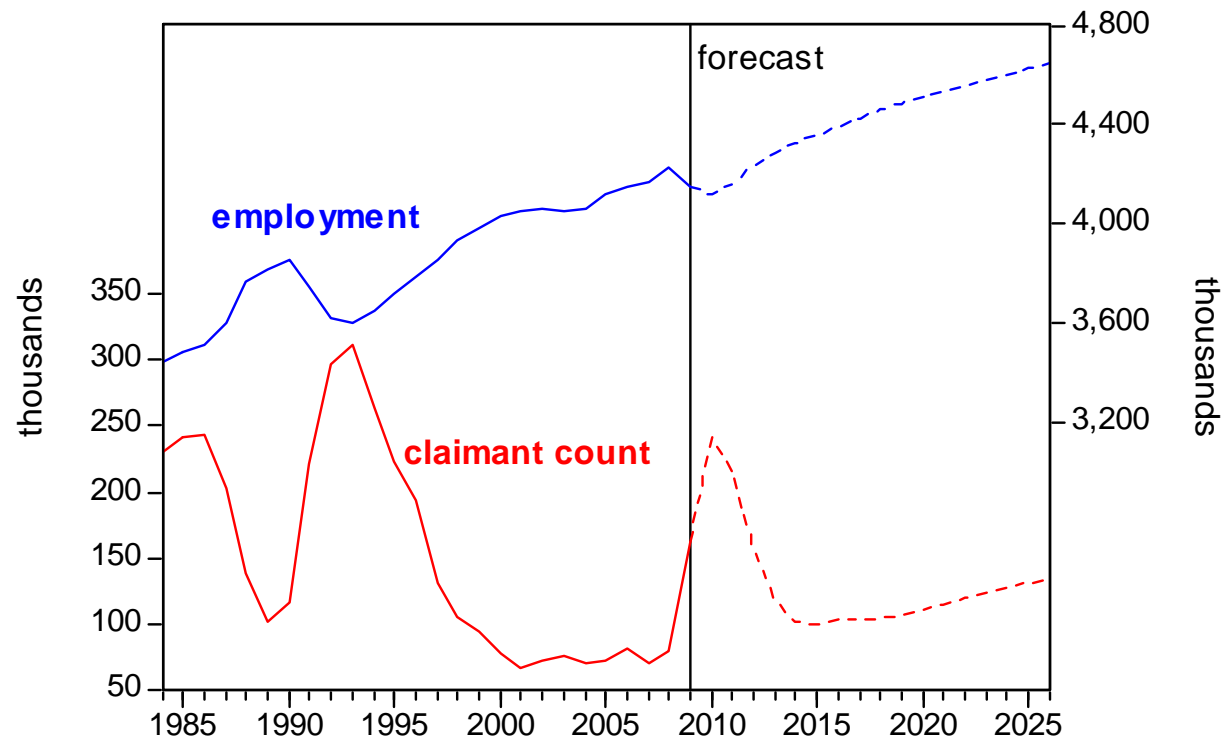
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Outlook for next 12 months

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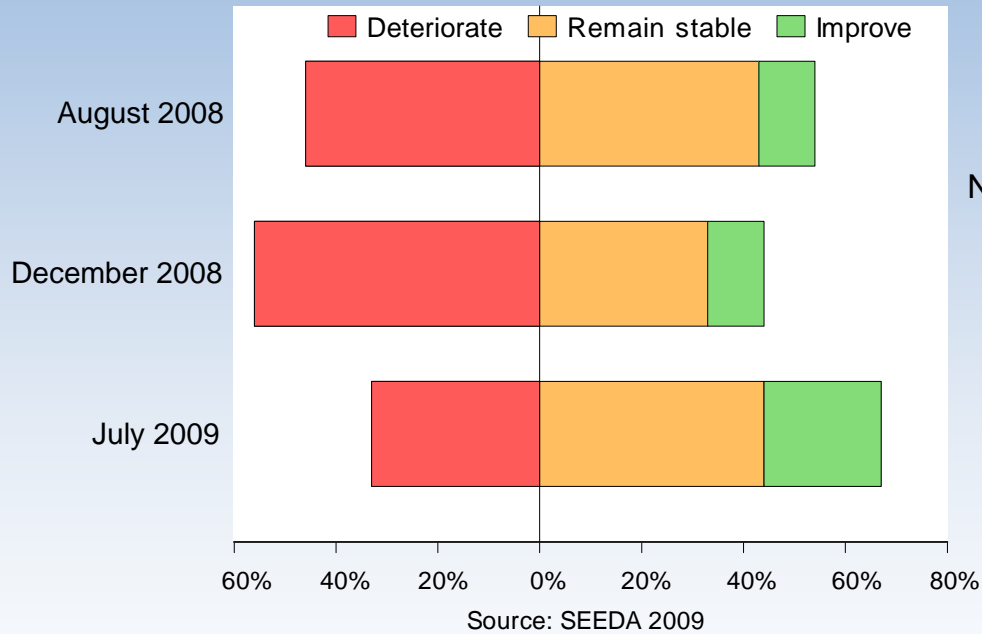
Weak labour market forecast to persist in the short term

Employment and unemployment (claimant count) in the South East, 1984-2026

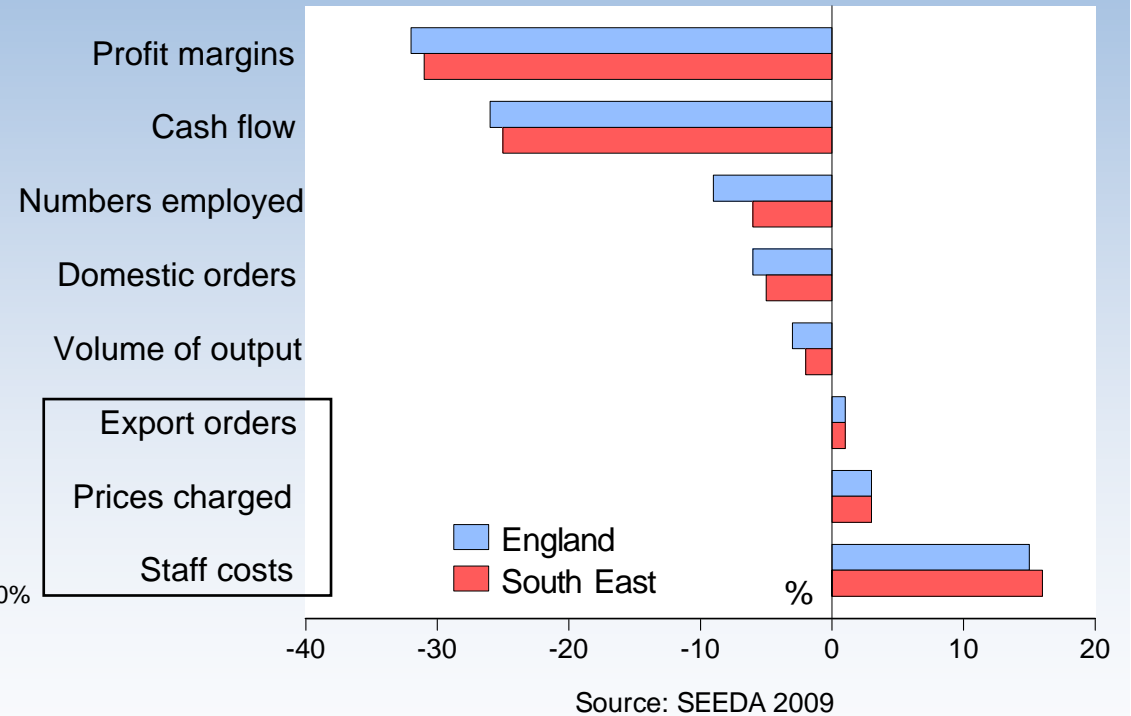


Business optimism

Business climate (next 12 months)



Expected trends (next 12 months)

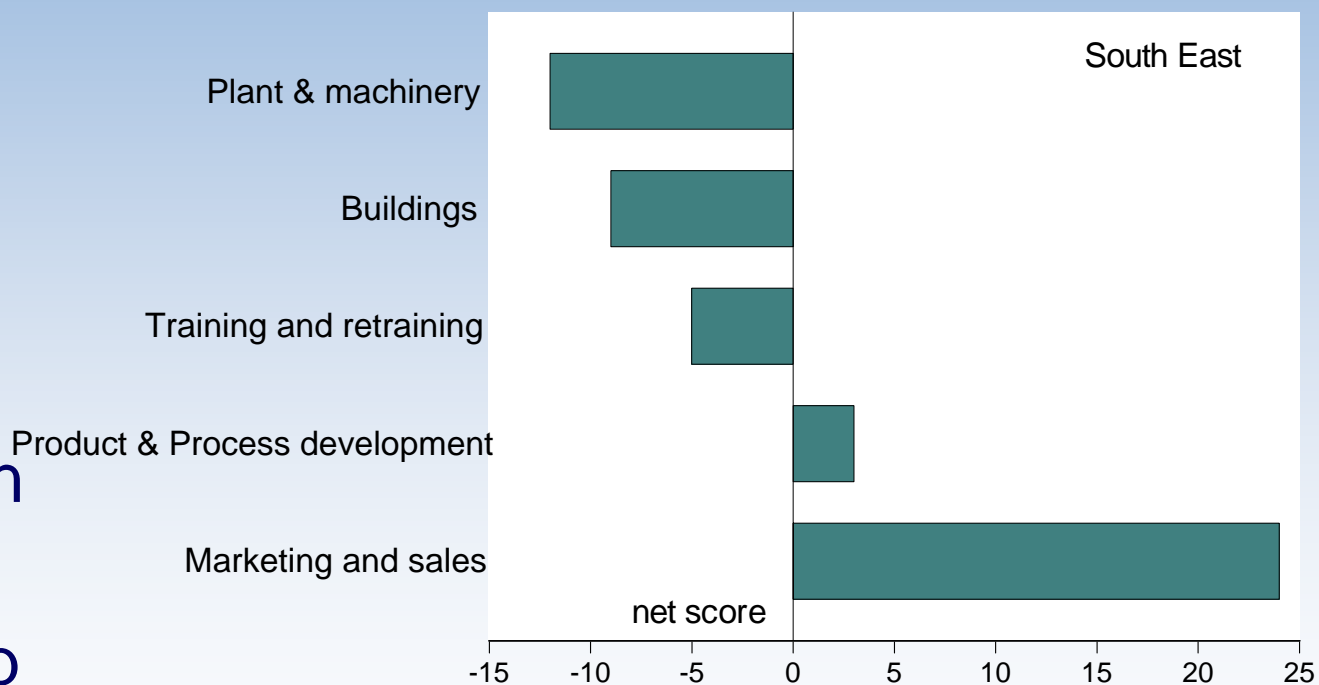


Business investment

- A large fall in business investment in the UK in Q2:
 - 10.4% (q on q)
 - 18.4% (annual)
- Largest decline on record
- It explains a sharp fall in output

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Investment intentions (next 12 months)

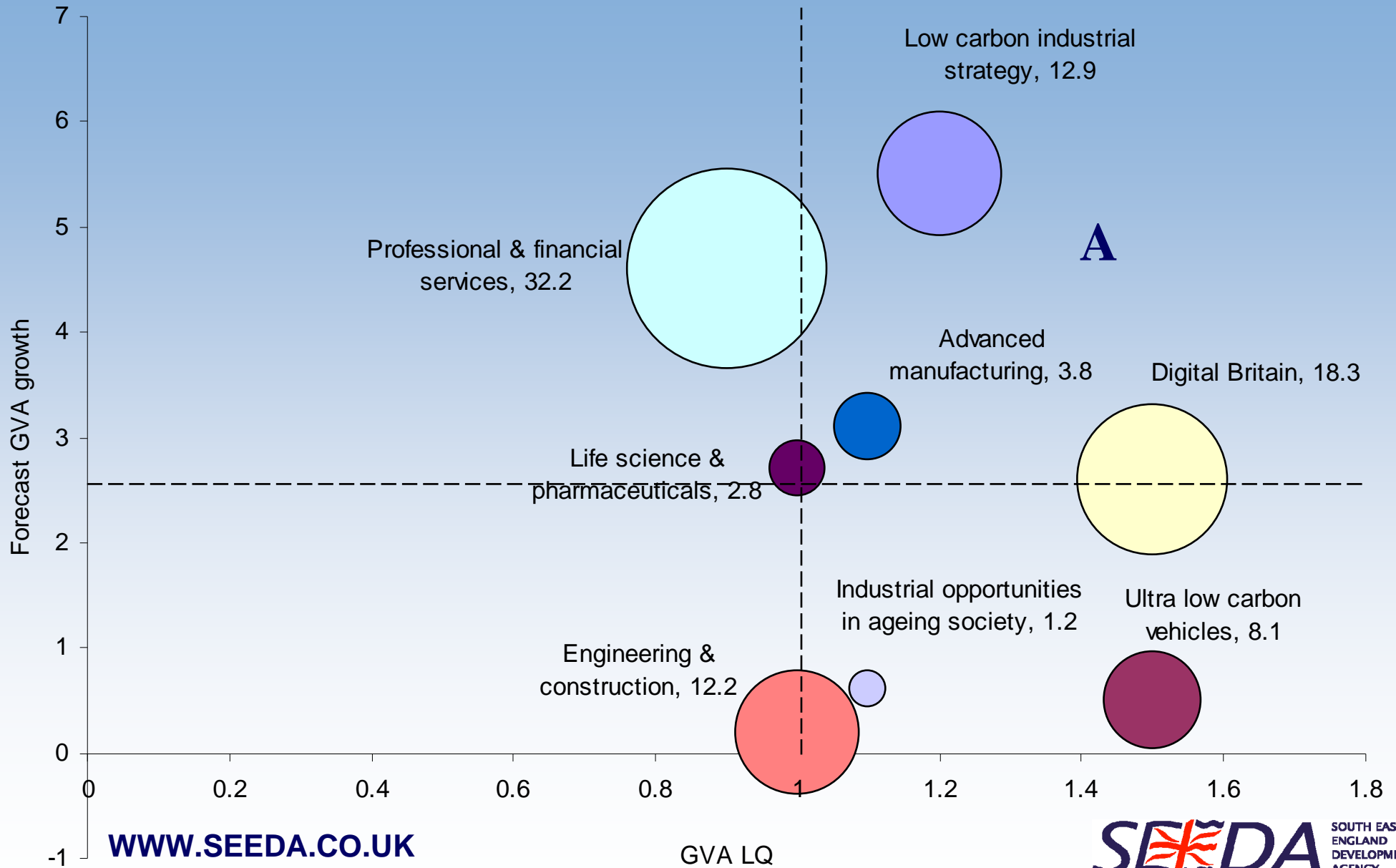


Source: SEEDA 2009

Where next?

- Is policy working?
 - BoE Base Rate
 - Quantitative easing?
 - Money market rate etc.
- UK GDP in Q3 and Q4?
- What kind of recovery?
 - L, V, W, Saxophone etc.
- Labour market
- Global economy?

NINJ sectors in the South East



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Source: Ernst & Young 2009

Thank you

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